INTESA SANPAOLO

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Market trends

Prior to the spread of the Covid-19 epidemic, the growth in the stock of mortgage loans remained solid, at +2.5% yoy in February. Gross monthly flows of loans for house purchase were still at their highest levels, after the significant recovery highlighted in the last quarter of 2019. The growth, already in double digits since October 2019, was further strengthened and above 50% yoy. Both renegotiations and new contracts contributed to the increase in mortgage loan flows. Fixed-rate disbursements increased by approximately 90% yoy, representing almost 83% of the total.

These dynamics are consistent with the very low level of rates: the average rate on gross monthly flows of loans for house purchase opened 2020 at 1.44%, in line with the end of 2019, to then slightly decrease to 1.40% in February.

The spread of the epidemic represents an element of strong breakdown of this picture, abruptly interrupting the positive dynamics underway and foreshadowing a fall in mortgage loan disbursements which will become more evident in 2Q20.

As in previous crisis situations, the suspension of mortgage loan instalments (or moratorium) was one of the first measures put in place to support households in financial difficulties due to the economic consequences of the spread of the Covid-19 pandemic. These measures were quickly activated independently by the individual banks and subsequently through the implementation of some government decrees (see note on p.5 for details). Based on previous experience, moratoria have been effective in easing household financial tensions.

For the real estate market, 4Q19 reported a slowdown of the rate of growth in house transactions (+0,6% yoy). House prices remained sticky and, despite the slowdown of the residential transactions, confirmed the signs of recovery recorded in the previous quarter with a moderate growth (+0.3% yoy). Once again, the positive performance of the overall index was driven by prices of new houses (+1.0% yoy), but also existing houses confirmed the improvement registered in the previous quarter (+0.1% yoy).

According to the real estate agents interviewed in the latest survey on the housing market, conducted between January and February 2020 and before the health emergency and the lockdown connected to the spread of the Covid-19 virus, expectations for the residential market improved, both over three months and over the medium term, from the previous survey that had reported negative figures on different considered economic aspects.

Contents

The figures in this document have been updated to 27.04.2020
Important communications are presented on the last page

2020 had got off to a good start, but mortgage loan flows are expected to decline sharply

Elisa Coletti

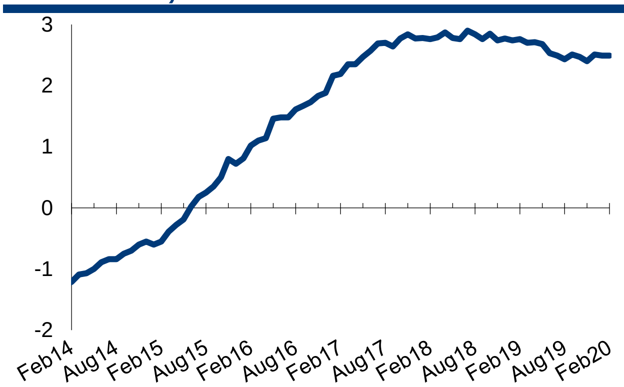
Prior to the spread of the Covid-19 epidemic, the growth in the stock of mortgage loans remained solid, at +2.5% yoy in February. Gross monthly flows of loans for house purchase were still at their highest levels, after the significant recovery highlighted in the last quarter of 2019. The growth, already in double digits since October 2019, was further strengthened and above 50% yoy. Both renegotiations and new contracts contributed to the increase in mortgage loan flows. Fixed-rate disbursements increased by approximately 90% yoy, representing almost 83% of the total. These dynamics are consistent with the very low level of rates: the average rate on gross monthly flows of loans for house purchase opened 2020 at 1.44%, in line with the end of 2019, to then slightly decrease to 1.40% in February. The spread of the epidemic represents an element of strong breakdown of this picture, abruptly interrupting the positive dynamics underway and foreshadowing a fall in mortgage loan disbursements which will become more evident in 2Q20.

Prior to the spread of the epidemic, the growth in loans to households remained solid, continuing at the rate of 2.5% yoy in the first two months of the year, as recorded at the end of 2019. Among the components of the aggregate, in February the dynamics of **loans for house purchase remained anchored to the 2.5% yoy already recorded during 2019** (changes calculated on figures adjusted for securitised loans).

Gross monthly flows of loans for house purchase were still at their highest levels equal to over EUR 7Bn both in January and February, after the significant recovery highlighted in the last four months of 2019. The growth, already in double digits since October 2019, was further strengthened and above 50% (+52.8% yoy in February from +45.8% at the end of 2019). The performance of disbursements reflected that of demand. In January and February, applications for mortgage loans recorded by CRIF continued the surge seen in the previous three months, with growth of 32.0% yoy and 32.6%, respectively.

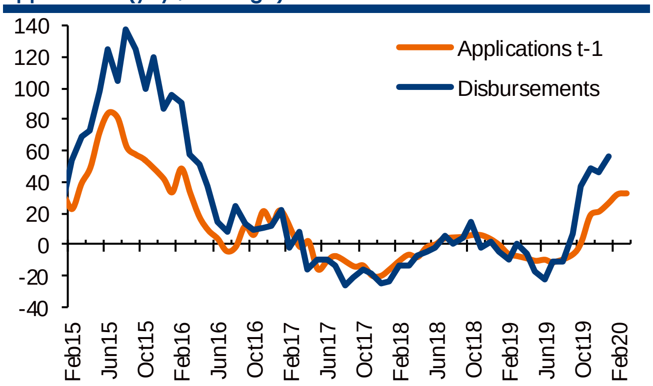
As in the last months of 2019, **both renegotiations and new contracts contributed to the growth of mortgage loan flows in the first two months of 2020 as well.** In terms of monthly volumes, renegotiations remained very high and sharply on the rise, albeit slightly more limited in February, with EUR 2.5Bn compared to the exceptional figures recorded from November to January (EUR 2.9Bn in January and EUR 10.8Bn in total in 4Q19). The growth rate in February stood at 161% yoy, with approximately trebled amounts in the previous four months. **The new contracts saw the continuation of the accelerating trend** that emerged from last November, marking a change of +25.3% yoy in February from +11.4% in December 2019. Of the total disbursements in February, renegotiations represented a 35% share, in line with the percentages between about 30% and 45% recorded from August 2019 onwards.

Trend in the stock of loans to households (yoy % change adjusted for securitisations)



Source: Bank of Italy and ECB

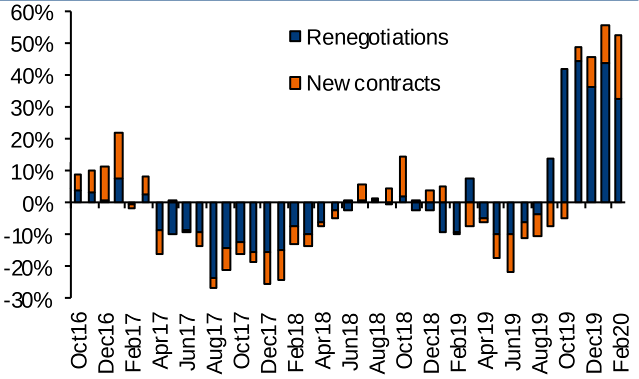
Gross flows of loans for house purchases and mortgage loan applications (yoy % change)



Source: Bank of Italy, CRIF and Intesa Sanpaolo Research Department calculations

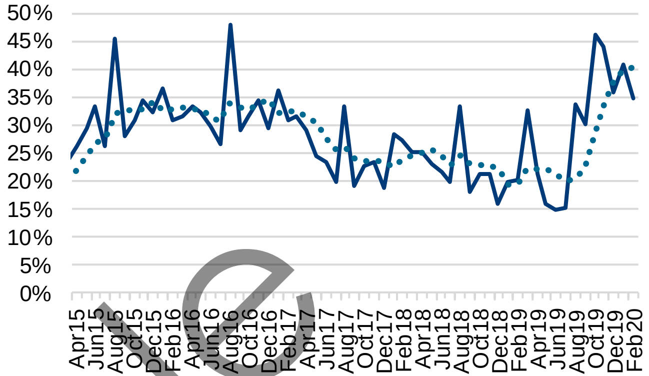
Consistently with this scenario, **fixed-rate disbursements grew strongly** again in the 1st two months of 2020, by +90% yoy on average in the period. In contrast, **floating-rate disbursements continued to decline**, by -21.8% yoy in February. With the exception of a slight temporary growth in November 2019, the decline has continued since mid-2018. Consequently, since December 2019 fixed-rate mortgage loans have exceeded 82% of total gross disbursements, reaching the new record high of 82.9% in February.

Contribution of renegotiations and new contracts to the growth of monthly loan transactions for house purchase (%)



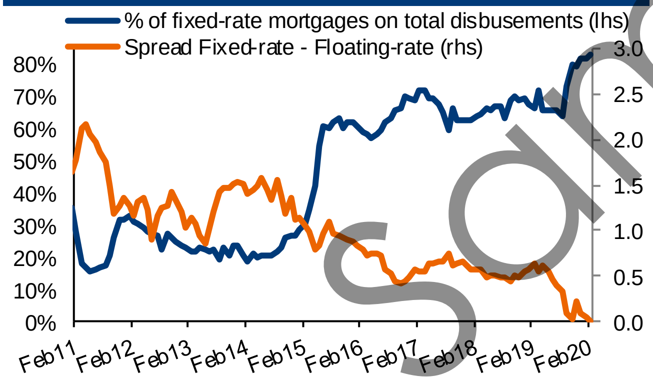
Source: ECB and Intesa Sanpaolo calculations

Renegotiations as a % of total monthly disbursements of loans for house purchase (gross flows and 5-term moving average)



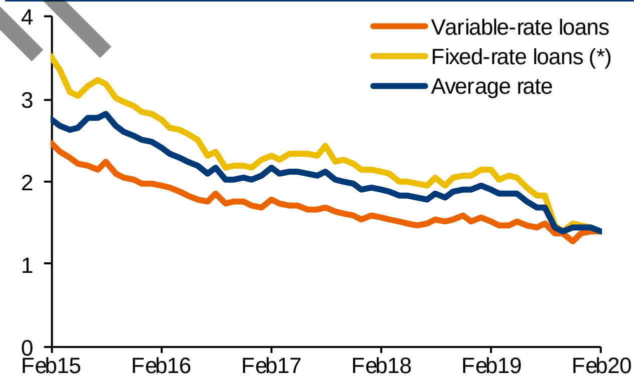
Source: ECB and Intesa Sanpaolo calculations

Disbursements of loans for house purchase: fixed-rate as % of the total and spread between fixed and floating rate



Source: Bank of Italy and Intesa Sanpaolo calculations

Rates on new loans to households for house purchase (%)



Note: (*) Initial rate fixation period over 10 years
Source: Bank of Italy

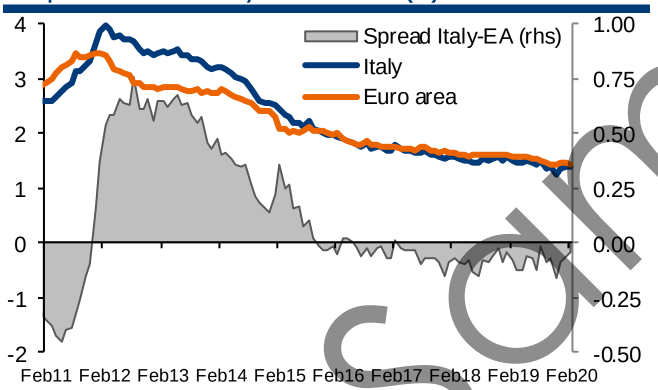
The growth in fixed-rate disbursements is consistent with the **very low level reached by interest rates, which showed substantial stability also in the first two months of this year**, after the rather marked drop recorded in September. In particular, the average rate on monthly gross flows of loans to households for house purchases opened 2020 at 1.44%, the same level as at the end of 2019, to then decrease slightly to 1.40% in February, the all-time low already reached in October 2019 and confirmed for March according to ABI estimates. Alongside this stability on the lows, an alignment between the fixed and the floating rate has been observed for some months. In February, therefore, only 1 bp separates the two rates (1.40% for the fixed rate and 1.39% for the floating rate). This spread is the lowest ever, heavily reduced compared to values that stood at around 60bps only a year earlier.

Similarly, given the very low level of the fixed rate, for the 6th consecutive month, **the usual positive spread with respect to the fixed rate of the euro zone continued to be almost zero**, equal to 4bps in February, from an average of 29bps in the first eight months of 2019. For the floating rate, the spread with the euro zone average remained negative, equal to -4bps in February, from -9bps at the end of 2019.

Finally, **the rate on renegotiations in February returned above the fixed rate**, by 10bps, to 1.50%, after the +5bps seen in December 2019. You are reminded that, prior to the 9bp spread recorded in September 2019, the rate on renegotiations had consistently been below the fixed rate, at -22bps in the first four months of the year, after which the spread moved back into positive territory at +3bps on average in the last four months. This performance should also be viewed in the light of the very low fixed rates recorded, following the fall in September 2019.

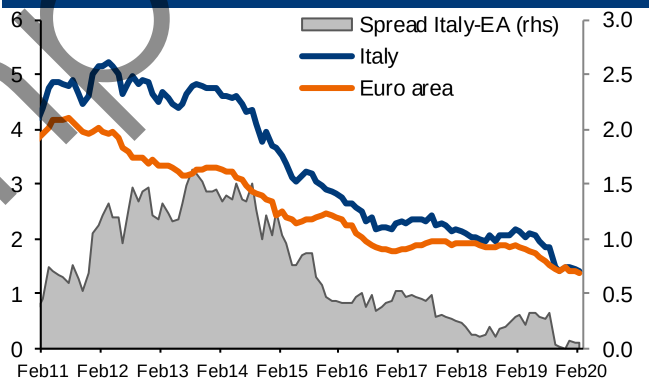
Compared to this picture, **the spread of the Covid-19 epidemic represents an element of strong breakdown, abruptly interrupting the positive dynamics underway**. At the time of writing this report, we do not have sector statistics for March. Preliminary indications, however, outline a slowdown in disbursements, which will become even more evident in 2Q20. Conversely, the impact on the stock of mortgage loans will presumably be more gradual, due to their intrinsic stickiness and the effect of the moratoria. Regarding new mortgage loan flows, indirect indications come from the analyses conducted by the Bank of Italy which, on the basis of house sale listings, recorded a sharp reduction in demand and supply in the period between 9 and 30 March, foreshadowing a significant decline in sales in the first half of the current year (Bank of Italy, Economic Bulletin No. 2-2020, April 18).

Floating rate on new loans for house purchase: comparison between Italy and Euro Area (%)



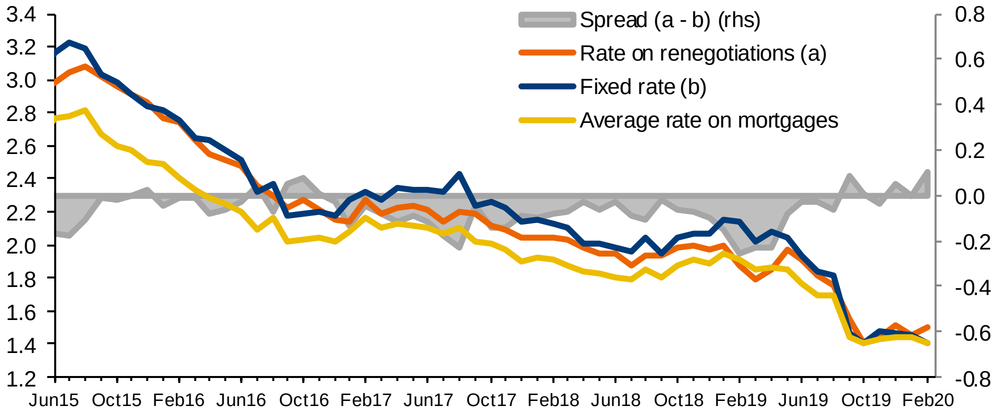
Source: ECB and Intesa Sanpaolo calculations

Fixed rate on new loans for house purchase: comparison between Italy and Euro Area (%)



Source: ECB and Intesa Sanpaolo calculations

Rate on renegotiations in comparison with the fixed rate on mortgages (%)



Source: ECB and Intesa Sanpaolo calculations

The suspension of mortgage loan instalments: effective support for households

Elisa Coletti

As in previous crisis situations, the suspension of mortgage loan instalments (or moratorium) was one of the first measures put in place to support households in financial difficulties due to the economic consequences of the spread of the Covid-19 pandemic. These measures were initially activated independently by the individual banks and subsequently through the implementation of some government decrees, with the recent addition of a sectoral initiative by the Italian Banking Association (ABI), which continues in the wake of those already implemented in the past, expanding the support interventions for households, self-employed workers and professionals with respect to the provisions of government decrees.

In support of indebted households, the Cura Italia Decree (Legislative Decree no. 18/2020) ordered the **strengthening of the Solidarity Fund for mortgage loans for first house purchase**, the so-called Gasparrini Fund. This fund was established in December 2007 and has been operational since November 2010, in order to allow holders of first house mortgage loans to benefit from the suspension of the payment of instalments in the event of situations of temporary economic difficulty. Until before the spread of the pandemic, these situations were identified in the termination of the subordinate employment contract, whether permanent or temporary, of the parasubordinate employment contract, or of commercial or agency representation, in the death or recognition of serious handicap or civil disability. With the recent government decrees, **the cases of eligibility to the fund have been expanded**, including suspension from work for at least 30 consecutive working days and reduced working hours for the same period. Furthermore, for nine months until 17 December 2020, self-employed workers and professionals who have self-certified that they have suffered, after 21 February 2020, a reduction in their average daily turnover of more than 33% compared to the fourth quarter of 2019, can exceptionally access the benefits of the Fund.

The Fund provides for the **suspension of the entire mortgage loan instalment from a minimum of 6 months to a maximum of 18 months and a contribution covering 50% of suspended interests**. This measure of the contribution on the payment of suspended interests was increased compared to the previous operations of the Fund. Finally, in order to take advantage of the support from the Fund, for all eligible cases and until 17 December 2020, the submission of the equivalent economic situation indicator (ISEE) is not required, temporarily suspending the ISEE criterion below 30,000 euro.

Among the other relevant features of the facilitation, it should be noted that the benefits of the solidarity fund are aimed at households with a first house mortgage loan for an amount of up to 250 thousand euro. Suspension may also be requested for mortgage loans that show a delay in payments, provided that it is less than 90 consecutive days at the time the borrower submits the application. Furthermore, the benefit of the Fund is also granted for mortgage loans that have already benefited from other suspension measures, provided that these measures do not lead to a suspension of more than 18 months in total.

To cope with increased operations, **the Fund was refinanced in the amount of 400 million euro for the year 2020**, compared to an availability of about 25 million euro of free resources, held in the appropriate treasury account at the time of definition of the measure. This allocation appears more significant than the **limited amounts allocated in the past**. Thus, from an initial allocation of 20 million euro for 2011, the fund was subsequently refinanced for 2012 and 2013, with 10 million euro per year. The same amount of 10 million euro was allocated for 2014, increased to 20 million euro for 2015 but since 2016 the refinancing has been interrupted (Source Court of Auditors, Off-balance sheet management of the first house guarantee fund [only in Italian], 30 December 2019). In consideration of the limited endowment, the restrictive criteria for access and the procedural complexity, **the operations of the Fund appeared overall modest** and in alternating phases, obviously more accentuated in times of crisis. For example, the 20 million euro allocated for 2011 were completely used in about six months, in favour of 5,000 borrowers, a number which, however, is far lower (about a tenth) than that of households which, until September 2011, resorted to the ABI moratorium (source Bartiloro, Carpinelli, Finaldi Russo and Pastorelli, "Access to credit in times of crisis: measures to support firms and households [only in Italian]", Occasional Papers, January 2012). In the period from 2014 to 2018, according to an analysis by the Court of Auditors, it emerged that the fund's operations were more intense in 2014, with 13,300 applications for an amount of developed resources of 15.4 million euro, and decreased significantly in the following years to just over 2000 applications in 2018 for an amount of 2 million euro.

In the current circumstance, **access to the Gasparrini Fund may be more important than in the past**, thanks to the removal of some constraints and the widening of the audience of subjects potentially eligible for the benefits. However, **voluntary initiatives promptly activated by individual banks are providing a fundamental contribution to support households**, as evidenced by the first statistical findings collected by the Bank of Italy, even if of a preliminary nature. In the first weeks of operation of the new measures, until April 17, the Bank of Italy recorded both operations related to government measures and individual initiatives of banks. With regard to households, over 600 thousand applications for residual loans of 36 billion euro were recorded. Applications for access to the Gasparrini Fund amounted to 42,500, for an average unit amount of 99 thousand euro, which leads to a value of the residual loans affected by this form of moratoria of approximately 4.2 billion euro.

In addition, on 21 April ABI signed an agreement with consumer associations to support households in difficulty who took out instalment loans, or mortgage loans secured by properties disbursed for purposes other than the purchase of the first house, or first house mortgage loans that do not meet the requirements for eligibility to the Gasparrini Fund. In particular, there is the option to ask the lender, by 30 September 2020, to suspend the principal portion of these mortgage loans, for a duration not exceeding 12 months and only once, upon the occurrence of the events already falling within the requirements for eligibility to the "Gasparrini" Fund. It should be noted that, unlike the latter, the ABI moratorium does not provide for the payment of part of the interest portion. This initiative is developed in the wake of a **tradition of moratoria**, activated over time, including the "Piano famiglie" (Family Plan) launched in December 2009 and various specific measures implemented in cases of natural disasters.

Viewed from the side of financial stability and the solidity of the banking system, **the moratoria help to contain the negative impacts** of the lockdown and the consequent fall in GDP **on the credit quality of banks**, a profile that has greatly improved in the last three years and which is particularly robust on the household credit side.

An analysis carried out by the Bank of Italy on 5 banking groups, with reference to moratoria granted following the financial crisis, including the suspensions implemented by banks on a voluntary basis outside of category agreements (at the time the "Family Plan") and on wider application scopes, concludes that **the payment suspensions have been effective in easing household financial tensions** (source Bartiloro *et al.*, 2012). The analysis recorded just under 26,900 moratoria, for a residual outstanding debt of 2.7 billion euro and 2% of mortgage loans outstanding at the end of 2008, granted in the two years from January 2009 to the same month of 2011. Effectiveness is measured by the cure rate, that is, by the share of households which, after the suspension, resumed regular payments of the instalments over the total of those who showed late payments at the start of the moratoria. Loans to households that recorded payment arrears at the beginning of the suspension period were around 62% of the total. For these, the cure rate was around 62% on average, a percentage considered high, with a distribution ranging from 70% for the lowest risk classes to just over 50% for the riskiest households.

Furthermore, alongside the specific effectiveness of the moratoria, it is recalled that **Italian households are characterised by a very low level of indebtedness** in the international comparison (a debt of 61.9% in relation to disposable income in the fourth quarter of 2019 compared to 95.1% of the euro area average) and they are facing this crisis with a **less vulnerable financial structure than in the past**. Indeed, interest rates are at their lowest levels and to protect themselves from the risk of any possible hikes, Italian households have made extensive use of subrogations and renegotiations. In September 2019, the share of fixed-rate mortgage loans reached 45% of outstanding amounts; it was around 30% in 2008. All other things being equal, this contains the debt service burden which this year, and partly also in the next, will be reduced by the moratoria and by the expansion of the operations of the Gasparrini Fund. Moreover, **the flow of non-performing loans in relation to total household loans is historically very low**, equal to 0.9% in the fourth quarter of 2019, well below the levels observed before the financial crisis (2% on average in 2007).

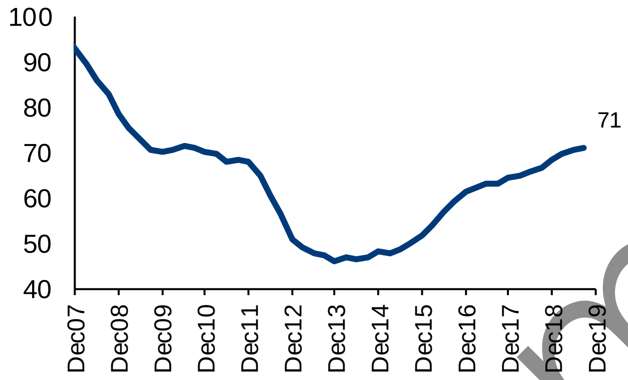
Significant slowdown in the residential market

Federico Desperati

In the fourth quarter of 2019, the number of residential property transactions, despite still growing, recorded a significant slowdown, reporting an increase by 0.6% yoy. The figure is much lower than that recorded in the previous quarters of 2019, 5.8% yoy on average, and is a record low since the second quarter of 2015. As shown in the chart below, the breakdown of the growth of transactions by country's geographical area shows different performances, with the North being more dynamic than the national average, in line with the previous quarter. The South also reported a higher increase than the Italian figure. On the contrary, the Islands and especially the Centre weighed negatively.

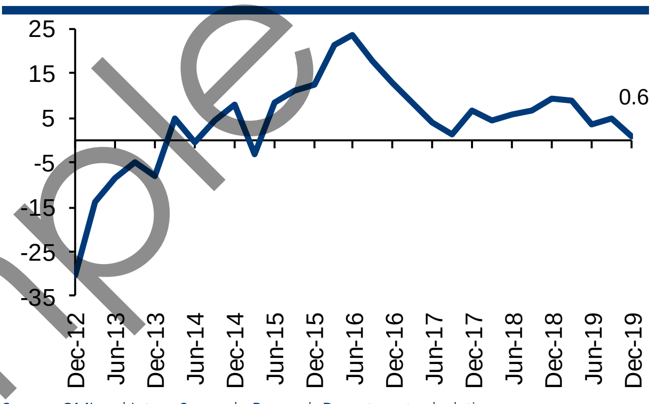
Considering the volumes traded, 2019 ended with more than 600,000 residential properties traded. A large part of the purchases and sales took place in the North-West which contributed 35% of the total. 2019 recorded total trade 2% higher than in 2009, but 9% lower than 2008 which now seems to be a year of structural breakdown for the market.

Transactions of residential property (4-term moving average, index base number 2006 = 100)



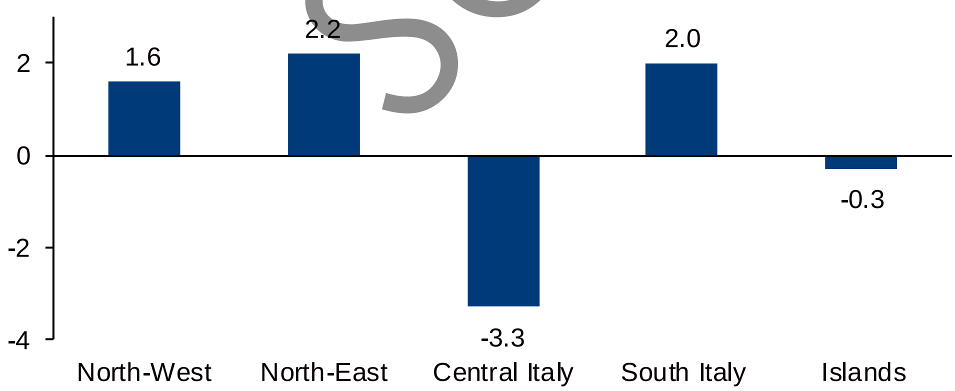
Source: OMI and Intesa Sanpaolo Research Department calculations

Yoy % change of the transactions of residential properties



Source: OMI and Intesa Sanpaolo Research Department calculations

Yoy % change of the transactions of residential properties in 3Q19, breakdown by geographical area



Source: OMI

Signs of recovery in house prices at the end of 2019

Federico Desperati

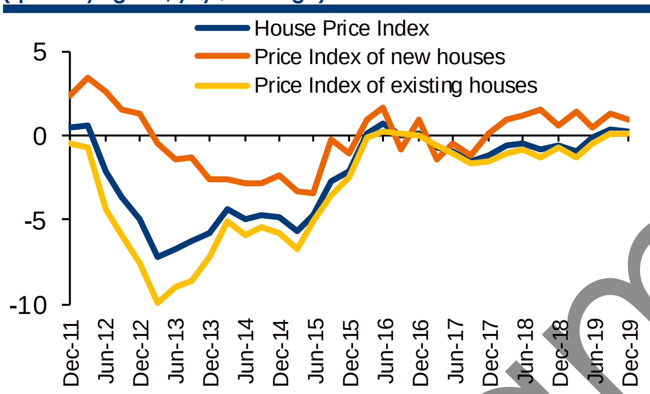
In the last part of 2019, house prices showed continuity of results compared to the previous quarter, reporting growth by 0.3% yoy, the second consecutive increase after +0.4% in the third quarter.

The growth in the aggregate IPAB index was linked both to the dynamics of prices for new houses, which increased by 1.0% yoy, and for existing houses, which increased by +0.1% as in the previous period.

On the contrary, house prices fell by 0.2% qoq, due to the performance of existing houses, which fell by 0.3%. In contrast, prices for new houses also rose qoq (+0.6%).

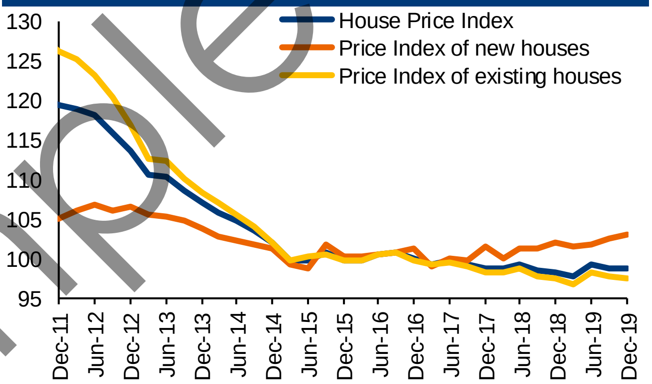
Overall, 2019 recorded a slight decline in residential prices by -0.1% yoy, due exclusively to the 0.4% yoy drop in prices of existing houses. New houses, which however represent less than 20% of the Italian market, instead reported a 1.1% growth.

Change in house prices (quarterly figures, yoy % change)



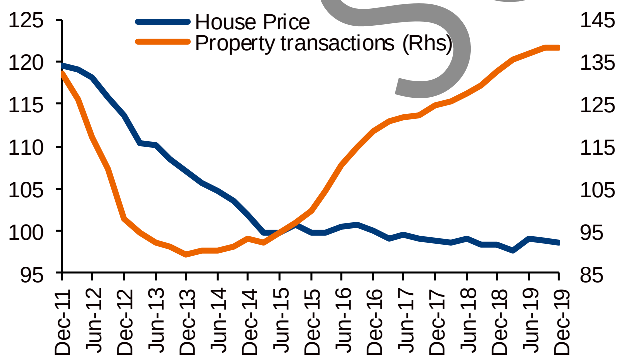
Source: Istat and Intesa Sanpaolo Research Department calculations

House price index (quarterly figures, 2015 = 100 base)



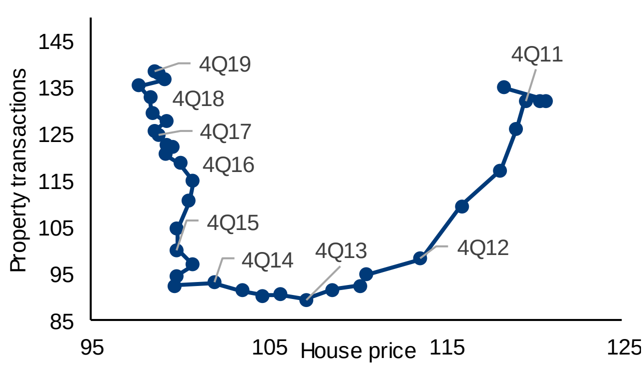
Source: ISTAT

Residential property market, evolution of prices and transactions (2015 = 100 base indices)



Note: House prices, quarterly figures 2015 = 100 base and number of purchases and sales of residential property (scale on the right), 4-term moving average, index base number 2015 = 100.

Source: ISTAT, OMI and Intesa Sanpaolo Research Department calculations

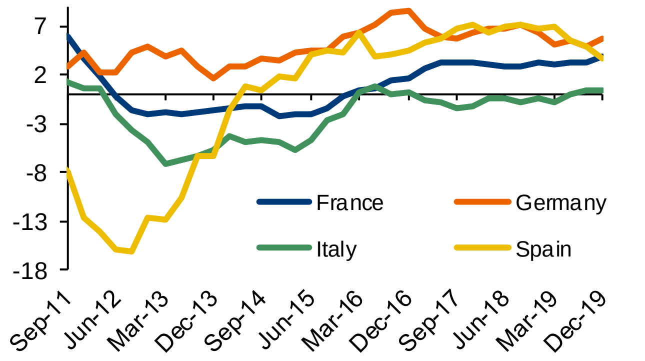


Note: House prices, quarterly figures 2015=100 base and number of purchases and sales of residential property, 4-term moving average, index base number 2015 = 100.

Source: ISTAT, OMI and Intesa Sanpaolo Research Department calculations

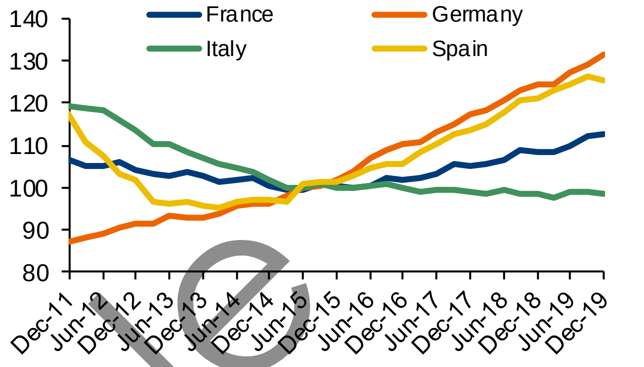
In the European comparison, in the fouth quarter 2019 both the European Union and the Euro Area reported a growth by 4.2% yoy. Among the major countries, Germany showed a still strong, and above the average, increase by 5.7%. France (+3.8%), Spain (+3.7) and United Kingdom (+1.1%) reported lower rates of change. Overall, the growth rate exhbited some dispersion among countries. The average increase was 0.7% both in the European Union and in the Euro Area.

Change in house prices (quarterly figures, yoy % change), breakdown by country



Source: Eurostat and Intesa Sanpaolo Research Department calculations

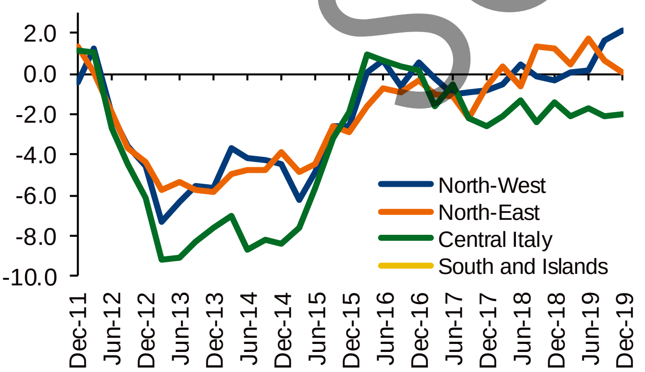
House price index (quarterly figures, 2015 = 100 base), breakdown by country



Source: Eurostat

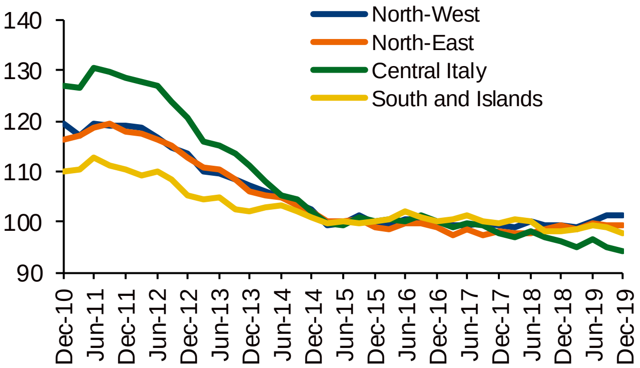
Looking at the trends at the territorial level, it can be said that the Italian figure was supported by the North. Indeed, the macro-areas of the North-East and North-West were the only ones to record positive changes for all quarters of the year, reporting an annual increase by 0.8% yoy and 1%, respectively. For the North-East, 2019 was also the second year of consecutive growth, although there was a halt in the trend in the last quarter of the year. On the other hand, the South reported a single positive quarterly yoy figure (+0.7 in the third quarter), as opposed to none in the Centre. The two areas observed a reduction in house prices in the last three years (in 2019, -0.7% yoy for the South and -2% for the Centre).

Change in house prices (yoy % change) - breakdown by area



Source: Istat and Intesa Sanpaolo Research Department calculations

House price index (2015 = 100 base) - breakdown by area



Source: ISTAT

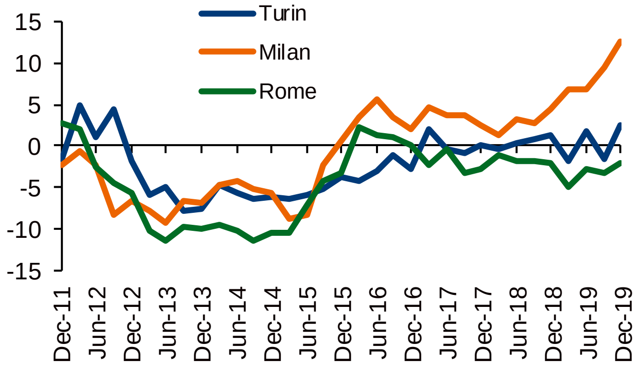
The price dynamics in Central Italy is consistent with the trend of the Capital, which in 2019 reported a drop by 3.2% yoy, with a sharper decline in the prices of existing houses than those of new ones (respectively - 3.4% and -2.4%).

In contrast, house prices in Milan reported very sustained growth, with an acceleration to +12.5% yoy in the last quarter of the year (after reporting +9.4% in the third quarter and +6.9% in the first

2 quarters of 2019). In 2019 the Lombard capital recorded a 9% yoy increase in prices, driven upwards by existing houses (+9.8%) even if new houses also showed a strong performance (+5%).

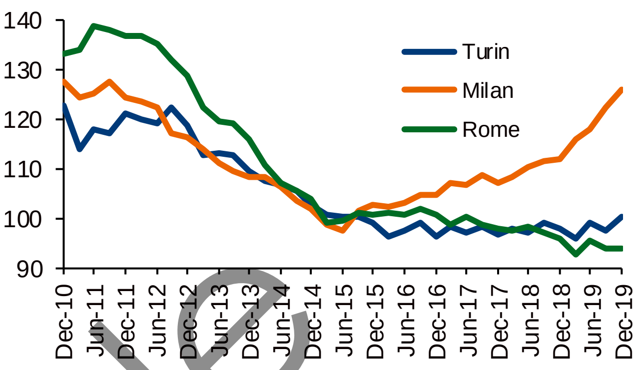
Turin showed resilience with +0.2% yoy in 2019, supported by new houses (+1.4%). Existing houses, on the other hand, recorded fairly stable prices (-0.1% yoy). For the city, this marks the third consecutive year of price growth, albeit with rates of change far below 1%.

Change in house prices (yoy % change)



Source: Istat and Intesa Sanpaolo Research Department calculations

House price index (2015 = 100 base)



Source: ISTAT

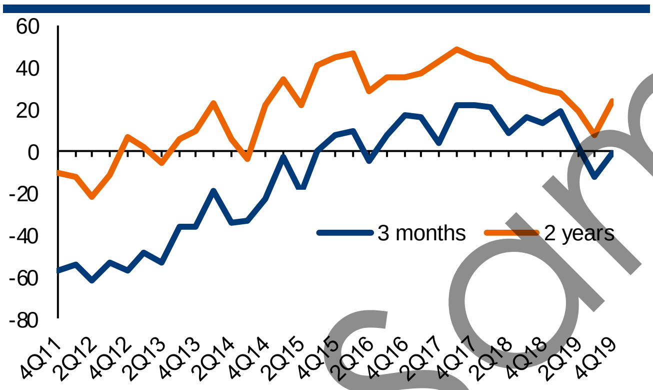
In 4Q19, real estate market had improved according to agents

Federico Desperati

The latest survey by Bank of Italy, Tecnoborsa and Agenzia del Territorio[1], conducted between 10 January and 7 February 2020 and relating to 4Q19, revealed **an improvement in agents' expectations regarding the prospects for the real estate market**, both for the short and medium term, compared to the previous survey that had observed signs of negativity on different profiles from those surveyed. More specifically, the net balance of responses on three-month expectations was almost equal to zero (-0.6%), recovering 11.7 percentage points from the third quarter figure (the difference between the percentage of agents who expect an improvement and those who envisage a deterioration). With reference to the medium term, the net balance rose and the growth more than offset the decline recorded between the second and third quarters of the previous year, reaching 23.9%, a level higher than in June 2019 (19.2%).

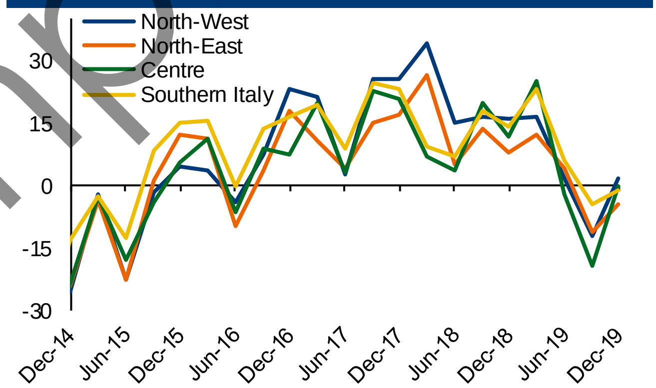
The **recovery of agents' expectations** concerned **both urban and non-urban areas**, in both cases to a significant extent, and it referred to **all geographical areas**. However, we believe it is important to underline that, given the time period over which the survey was conducted, **the opinions expressed do not** clearly **take into consideration** the situation that is affecting the country due to the health and economic emergency linked to the spread of the **Covid-19** virus.

Short and medium term expectations for the real estate market in Italy (balance % of responses: improvement - deterioration)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Short term expectations for the real estate market: breakdown by geographical areas (balance % of responses: improvement - deterioration)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

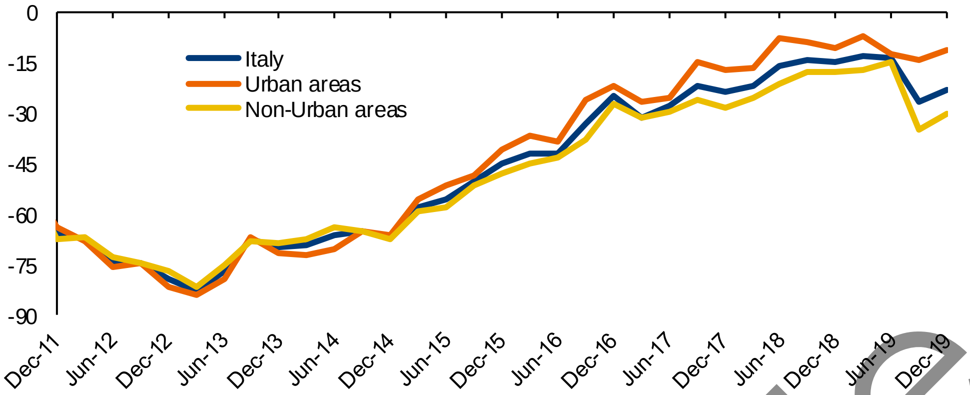
In detail, in terms of short-term future expectations, the area that witnessed the best balance is the North-West, the only one to record a positive figure (+1.7%). The Centre also reported an encouraging figure with an almost zero balance (-0.2%), the result of a record recovery of as many as 19.2 percentage points on the previous survey. For long-term prospects, the same indicator was positive for all areas and, consistent with what was reported for the short term, the North-West recorded the best balance (equal to +29.5%), although the South was not too far behind (+29.1%). The Centre saw the most marked improvement (+22.1 percentage points on the third quarter).

With regard to the **ratings given for sale prices** recorded in the fourth quarter, **the proportion of agents that indicated decreasing prices** declined, albeit to a limited extent (by less than 4 percentage points to 30.4%), after it had increased considerably in the third quarter and therefore also at year end it was still **a far cry from the previous levels.** To have a comparison, in

[1] The survey for 4Q19 was carried out between 10 January and 7 February 2020, and involved a sample of 1343 real estate agencies, representing 4.4% of all agencies operating in Italy.

the third quarter this percentage stood at 34%, while in June it was 16.6%. The net balance (increase-decrease) improved to -23% from -27% in the previous survey. Stable price ratings were given by 62% of respondents.

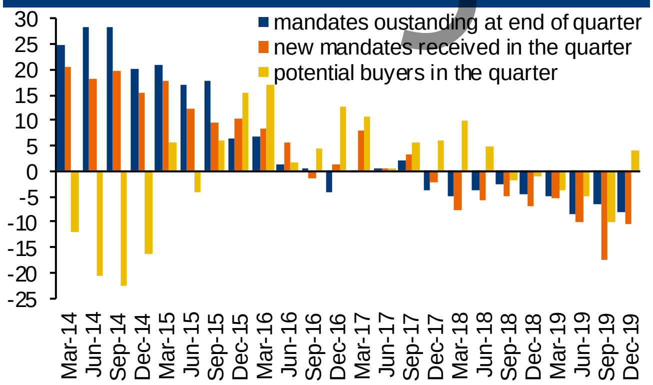
Opinions on house sale prices compared to the previous quarter breakdown by urban and non-urban areas (balance of responses: difference between increase and decrease)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

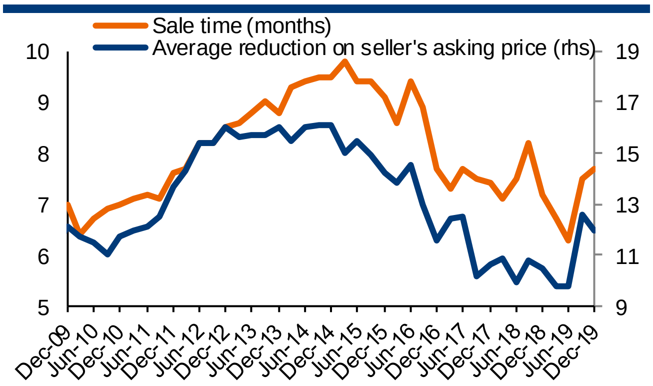
With regard to demand, the **number of new sales mandates** in the fourth quarter **recorded an improvement** compared to the third quarter: the proportion of agents who reported a decline decreased in favour of those who reported stability or growth. The net balance of responses (increase-decrease) has been in negative territory since the end of 2017, and in the fourth quarter it reached -11% from the all-time low (-17%) recorded in the third quarter. The **lower liquidity** in the market, although slightly improving, can also be seen in the **sale times**, which **remained at the level of the third quarter.** Agents indicated an average sale time of 7 months and 21 days, compared to 7 months and 15 days for the previous survey, confirming a return to the 2016-2017 levels. In addition, **the discount on the initial sale prices** asked by the seller, after dropping to the historical low of 9.8% in the first half of 2019, had increased significantly to 12.6% in the third quarter and **stood at 12%** in the fourth quarter. These levels had not been recorded since the first half of 2017.

Market liquidity: number of sales mandates received or to process and number of potential buyers in the quarter (balance (*))



(*) Balance of the opinions expressed by real estate agents: number of potential buyers higher - lower than in the previous quarter.
Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

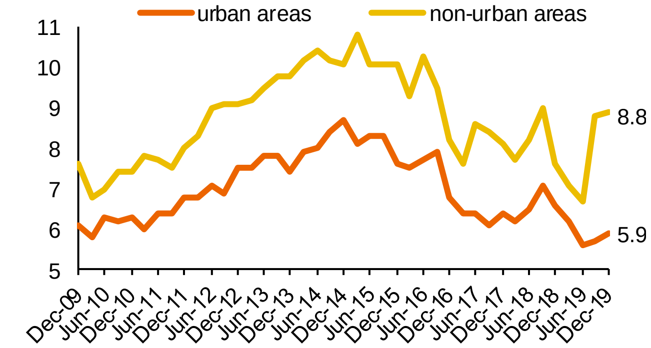
Sale times (months) and average discount applied



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

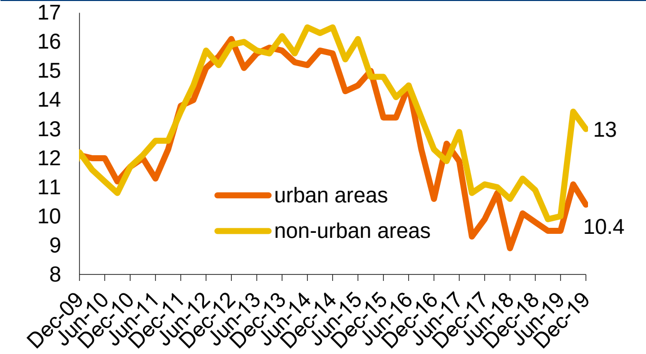
Sale times, as well as the price discount, grew significantly more in non-urban areas in the third quarter, while in the fourth quarter they showed aligned changes, as shown in the charts below.

Sale times (months): breakdown by urban and non-urban areas



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

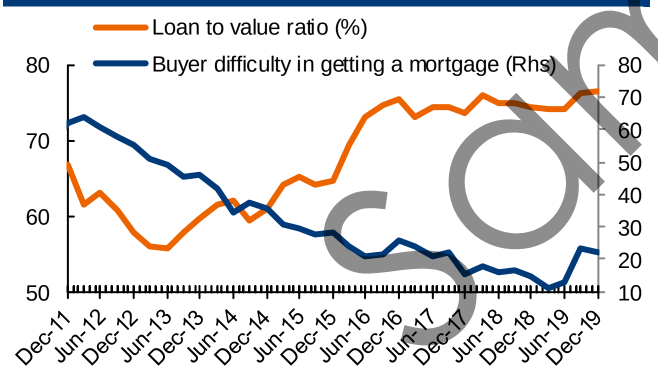
Average discount applied (%): breakdown by urban and non-urban areas



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

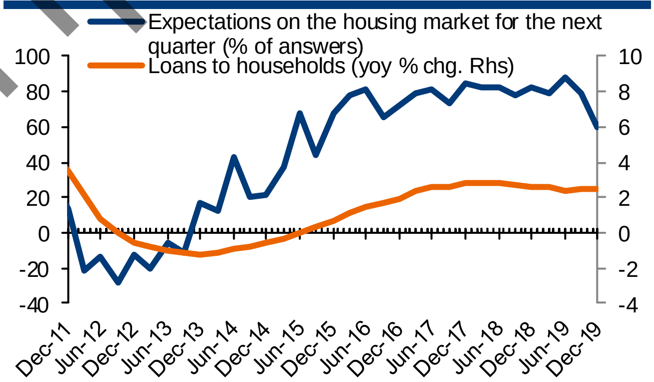
The increase in sale times is consistent with the growth in the level of excessive time elapsing from the start of the mandate, as one of the reasons for termination of the sale mandate (mentioned by 23% of agents in the fourth quarter, compared to 19.4% in the first half of 2019). The proportion of agents who attributed the termination of the sale mandate to the difficulty in finding a mortgage decreased slightly (to 22.3% from 23.1%), after the increase in the third quarter. The **loan-to-value ratio remained at maximum levels** (slightly up to 76.4%), whereas the proportion of mortgage-financed purchases decreased some more, down to 71.2% from 73.6% in the previous survey.

House purchases and mortgage loans



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Household loan trend and expectations regarding the situation of the real estate market (*)



(*) Balance of responses: difference between stability/improvement – deterioration compared to the reference quarter

Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Statistical appendix

Loans to households for house purchase

	Outstanding amounts		Monthly operations (gross flows)		
	EUR M	yoy % change	yoy % change	variable-rate % of total	fixed-rate % of total
Feb-18	375,516	1.45	-12.9	36.4	63.6
Mar-18	376,660	1.50	-13.3	35.3	64.7
Apr-18	376,887	1.38	-7.1	33.4	66.6
May-18	376,783	1.12	-5.0	34.0	66.0
Jun-18	376,688	1.15	-1.6	32.9	67.1
Jul-18	377,893	1.23	5.5	32.9	67.1
Aug-18	376,999	1.21	1.2	36.5	63.5
Sep-18	378,126	1.24	4.7	30.9	69.1
Oct-18	379,141	1.30	14.7	30.2	69.8
Nov-18	379,364	1.15	-2.0	30.9	69.1
Dec-18	379,054	0.94	1.5	30.5	69.5
Jan-19	379,157	1.04	-3.9	32.2	67.8
Feb-19	379,946	1.18	-9.3	33.5	66.5
Mar-19	380,233	0.95	0.2	27.8	72.2
Apr-19	380,575	0.98	-5.8	34.2	65.8
May-19	381,427	1.23	-17.5	34.0	66.0
Jun-19	382,404	1.52	-21.6	34.3	65.7
Jul-19	383,770	1.56	-11.2	34.3	65.7
Aug-19	383,202	1.65	-10.6	36.1	63.9
Sep-19	383,911	1.53	6.4	26.9	73.1
Oct-19	384,944	1.53	37.7	20.3	79.7
Nov-19	382,754	0.89	49.3	20.9	79.1
Dec-19	382,582	0.95	45.8	17.9	82.1
Jan-20	382,864	0.98	56.1	17.9	82.1
Feb-20	383,869	1.03	52.8	17.1	82.9

Source: Bank of Italy. ECB and Intesa Sanpaolo calculations

Rates on new loans to households for house purchase (%)

	Total	of which: variable-rate	fixed-rate	APRC(*)
Feb-18	1.91	1.57	2.13	2.25
Mar-18	1.88	1.54	2.10	2.24
Apr-18	1.84	1.52	2.01	2.20
May-18	1.83	1.50	2.01	2.18
Jun-18	1.80	1.47	1.98	2.17
Jul-18	1.79	1.48	1.96	2.15
Aug-18	1.85	1.55	2.04	2.21
Sep-18	1.80	1.51	1.95	2.16
Oct-18	1.88	1.54	2.04	2.24
Nov-18	1.91	1.59	2.07	2.27
Dec-18	1.89	1.52	2.07	2.26
Jan-19	1.95	1.57	2.15	2.31
Feb-19	1.91	1.50	2.14	2.27
Mar-19	1.85	1.47	2.02	2.17
Apr-19	1.86	1.47	2.08	2.26
May-19	1.85	1.51	2.05	2.26
Jun-19	1.77	1.48	1.94	2.17
Jul-19	1.69	1.43	1.84	2.09
Aug-19	1.70	1.50	1.82	2.08
Sep-19	1.44	1.37	1.46	1.82
Oct-19	1.40	1.38	1.40	1.74
Nov-19	1.43	1.27	1.48	1.76
Dec-19	1.44	1.37	1.46	1.78
Jan-20	1.44	1.40	1.45	1.76
Feb-20	1.40	1.39	1.40	1.74

(*) annual percentage rate of charge

Source: Bank of Italy, ECB.

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